

DISCLOSURE STATEMENT
FOR
SULLIVAN'S HARBOR SPRINGS AIRPARK
(A Site Condominium)

**A residential "fly in" site condominium project,
consisting of ten (10) units.**

DEVELOPED BY:
SULLIVAN'S HARBOR SPRINGS AIRPARK, INC.
820 Arlington Avenue, Suite 2
Petoskey, Michigan 49770

THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR THE MASTER DEED (AND ITS ATTACHMENTS), THE CONDOMINIUM BUYER'S HANDBOOK, OR OTHER DOCUMENTS. ALL BUYERS SHOULD READ ALL DOCUMENTS TO FULLY ACQUAINT THEMSELVES WITH THE PROJECT, AND THEIR RIGHTS AND RESPONSIBILITIES RELATING THERETO.

WE RECOMMEND THAT YOU SEEK PROFESSIONAL ASSISTANCE FROM AN ATTORNEY OR OTHER COMPETENT ADVISER PRIOR TO THE PURCHASE OF A CONDOMINIUM UNIT.

DISCLOSURE STATEMENT

SULLIVAN’S HARBOR SPRINGS AIRPARK **a site condominium**

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1. Introduction.

Condominium development in Michigan is governed largely by the Michigan Condominium Act, being Act 59 of the Michigan Public Acts of 1978, as amended.

This Disclosure Statement, together with copies of the legal documents required for the creation and operation of the condominium, are furnished to each purchaser pursuant to the requirement of the Michigan Condominium Act that the Developer of a condominium disclose to prospective purchasers the characteristics of the condominium units which are offered for sale. This Disclosure Statement, along with the documents contained in the Purchaser Information Booklet, are the only authorized description of Sullivan's Harbor Springs Airpark. The Developer's manager, employees and agents (including but not limited to sales representatives) are not permitted to vary the terms contained therein through any verbal or written statements. **If you feel you have been told something which contradicts the written documents, you must point this out before you close on your Unit.**

2. The Condominium Concept.

A condominium is a method of subdividing and describing real property. A condominium unit has the same legal attributes as any other form of fee ownership of real property under Michigan law and may be sold, mortgaged or leased, subject only to such restrictions as are contained in the condominium documents or as otherwise may be applicable to the property. Each co-owner receives a deed to the individual condominium unit purchased. Each co-owner owns, in addition to the unit purchased, an undivided interest in the condominium's common facilities, which are called "**common elements**." Title to the common elements is included as part of, and is inseparable from, title to the individual condominium units. Each owner's proportionate share of the common elements is determined by the percentage of value assigned to the owner's unit in the Master Deed. The Master Deed, which is described in Section 4 of this Disclosure Statement, must be examined carefully to determine each co-owner's rights and obligations with respect to common elements.

All portions of the condominium not included within the units constitute the common elements. **Limited common elements** are those common elements set aside for use by less than all unit owners. **General common elements** are all common elements other than limited common elements, and can be used by all co-owners.

The proximity of the units in the condominium and each co-owner's right, in common with all other co-owners, to use the general common elements, dictates that certain restrictions and obligations be imposed on each co-owner for the mutual benefit of all co-owners. The restrictions and obligations are set forth in the Master Deed and in the Bylaws which are attached as Exhibit A to the Master Deed. All owners and unit occupants must be familiar with and abide by such restrictions and obligations.

The management and administration of the condominium is the responsibility of Sullivan's HSA Owners' Association, a Michigan nonprofit corporation, of which all co-owners are members (the "Association"). The nature and duties of the Association are set forth in the Condominium Bylaws attached as Exhibit A to the Master Deed and are summarized in Section 6 of this Disclosure Statement.

Except for the year in which a unit is first established as part of the condominium, real property taxes and assessments are levied individually against each unit in the condominium. The separate taxes and assessments cover the unit and its proportionate share of the common elements. No taxes or assessments are levied independently against the common elements.

The foregoing is necessarily generalized to some degree. Accordingly, each purchaser is urged to carefully review all of the documents contained in the Purchaser Information Booklet for the condominium as well as any other documents that have been delivered to the purchaser in connection with this development. **Any purchaser having questions pertaining to the legal aspects of the condominium is advised to consult the purchaser's own lawyer or other professional advisor.**

3. Description of the Condominium.

A. Size, Scope and Physical Characteristics of the Condominium.

The condominium has been established as a ten (10) unit residential site condominium, in 10 lots, located in Little Traverse Township, Emmet County, Michigan. The Master Deed describes certain limited common elements which are reserved for the use of specific co-owners, such as areas required or necessary to install driveways, water wells, and septic systems. In addition, certain areas required for zoning setbacks are restricted so that no construction may occur. **Each owner of a unit is required to arrange, pay, and construct all structures (including the dwelling and attached hangar), individual driveway/taxiway, water well, and septic system.**

B. Improvements Labeled "Must be Built" or "Need Not be Built".

The Condominium Act requires that proposed structures and improvements be labeled in the Condominium Subdivision Plan as either "must be built" or "need not be built." The Condominium Plan identifies the following as "must be built": all Units 1-10; the internal private driveways/taxiways, which are within the development; basic utilities to a point of connection within a unit; any required drainage culverts and impoundment basins; and the runway extension to the Harbor Springs Airport adjacent to the Condominium. The Developer will pay for all "must be built" improvements through its own equity capital and \$75,000 nonrefundable deposits paid by purchasers.

C. Recreational Facilities.

There are no recreational facilities (that is, “amenities”) presently in the condominium. The Condominium is set up as “fly in” community for the use and enjoyment of the co-owners, their guests, and invitees. Each Unit has access to a driveway/taxiway that leads directly to the adjacent Harbor Springs Airport, as shown in the Plans, Exhibit B to the Master Deed.

D. Private Roads.

The internal driveways/taxiways in the condominium are private. These private internal driveways/taxi-ways in the condominium will be maintained (including snow removal) by the Association, **not by any governmental agency.**

E. Utilities.

The condominium has basic electric, telephone, natural gas, and cable television service laid out to the boundary of each unit, which has been installed below ground using the right-of-way for the internal private driveways/taxiways. It is the responsibility of each owner to arrange and pay for hook-ups running within the unit for the foregoing. Additionally, as noted above, each owner is responsible for arranging and paying for the installation, construction, and maintenance of individual water well and septic systems.

F. Reserved Rights of the Developer.

(1) Conduct of Commercial Activities. The Developer has reserved the right to maintain on the condominium premises advertising display signs, model units, storage areas, reasonable parking incident to the use of such areas, and such access to, from and over the condominium premises as may be reasonable to enable development and sale of the entire condominium.

(2) Right to Amend. The Developer has reserved the right to amend the Master Deed and the Exhibits thereto without approval from co-owners and mortgagees for certain purposes specified in the Master Deed. Those purposes include (but are not limited to) correcting errors and for any other purpose so long as the amendment would not materially alter or change the rights of a co-owner or mortgagee. Further, certain provisions of the Master Deed cannot be amended without Developer approval.

(3) Right to Convert and Contract. The Developer has reserved, in Article VI-A of the Master Deed, the right to convert and contract certain areas, generally units 1-10. As a practical matter, this right is simply limited to a situation where all units have not been sold within the period of time prescribed in the Act. In this case, the Developer would convert and contract out the areas that have not been sold; and establish a “phase II” which is identical as to size and location of unit(s) and common elements as are shown in the Plans, Exhibit B (but minus the parts not converted and contracted).

(4) Right to Expand. The Developer has reserved, in Article VI-B of the Master Deed, the right to expand the Condominium by adding in certain adjacent lands, and **adding up to fifteen (15) more Units.**

(5) General. In the condominium documents and in the Michigan Condominium Act, certain rights and powers are granted or reserved to the Developer to facilitate the development and sale of the condominium, including the power to approve or disapprove a variety of proposed acts and uses and the power to secure representation on the Association Board of Directors.

4. Legal Documentation.

A. General.

The condominium was established pursuant to the Master Deed recorded in the Emmet County Register of Deeds, a copy of which is contained in the Purchaser Information Booklet for the condominium. The Master Deed includes the Bylaws as Exhibit A, the Condominium Subdivision Plan (the drawings) as Exhibit B, and certain architectural restrictions as Exhibit C.

B. Master Deed.

The Master Deed contains the definitions of certain terms used in connection with the condominium, the percentage of value assigned to each unit in the condominium, a general description of the units and common elements included in the condominium, and a statement regarding the relative responsibilities for maintaining the common elements. **Briefly -**

- °Article IV covers the general and limited common elements,
- °Article VI covers units and their percentages of value,
- °Article IV-A covers certain special reciprocal restrictions applicable to this “fly in” community,
- °Article VI-A covers the fact that certain portions of the Condominium may be converted and contracted out of the project, while Article VI-B covers possible future expansion,
- °Article VII of the Master Deed covers easements,
- °Article VIII reserves in favor of the Developer the right to amend the condominium documents for various purposes.

C. Bylaws. The Bylaws contain provisions relating to the operation, management and fiscal affairs of the condominium and, in particular, sets forth the provisions relating to the assessment of Association members for the purpose of paying the costs of operation of the condominium. The Bylaws also contain restrictions on use. **Briefly -**

- °Article VI contains certain restrictions upon the ownership, occupancy and use of the condominium, including a developer-controlled architectural control committee,
- °Article VI-A contains certain restrictions applicable to this “fly in” community,
- °Article VI-B may contain Health Department restrictions,
- °Article VI-C contains restrictions on day and foster care activities,
- °Article VI-D contains zoning setback restrictions.

Exhibit C to the Master Deed contains further architectural requirements.

D. Condominium Subdivision Plan. The Condominium Subdivision Plan is a survey depicting the physical location and boundaries of each of the units and all of the common elements in the condominium. These drawings are attached to the Master Deed as Exhibit B.

5. Developer's Background and Experience.

Sullivan’s Harbor Springs Airpark, Inc. is a Michigan business corporation formed to hold title and develop the Condominium. The principal shareholder is Paul Sullivan, who has been a licensed pilot for many years. Mr. Sullivan lives in Harbor Springs and has a private psychological counseling practice in Petoskey. This is the Developer’s first development.

There are no pending judicial or administrative proceedings involving the condominium or Developer.

At present, the Developer has not selected a management or sales agent for the condominium.

6. Operation of the Condominium.

A. The Condominium Association.

The responsibility for management and maintenance of the condominium is vested in the Association. As each individual purchaser acquires title to a condominium unit, the purchaser will also become a member of the Association. The Articles of Incorporation of the Association are in the Purchaser Information Booklet and along with the Bylaws control procedural operations of the Association. The Association is governed by its Board of Directors whose initial members are designees of the Developer. Until a successor Board of Directors is elected by the members, the Association will be controlled by the Directors named by Developer. Developer's rights of representation on the Association's Board of Directors are set forth in Article XI of the Bylaws.

B. Percentages of Value.

The percentage of value of each unit in the condominium is equal, and is set in Article VI

of the Master Deed at 10.0% per unit. The percentage of value assigned to each unit determines, among other things, the value of each co-owner's vote and the co-owner's proportionate share of regular and special Association assessments and of the proceeds of administration of the condominium. Sometimes voting shall be done by total units; other times by percentage of value.

C. Project Finances.

(1) Budget. Article II of the Bylaws requires the Board of Directors to adopt an annual budget for the operation of the condominium. The Association's only source of revenue to fund its budget is by the assessment of its members. The initial budget for the condominium was formulated by the Developer and is intended to provide for the normal and reasonably predictable expenses of administration of the condominium, if developed with ten (10) units, and includes a reserve. To the extent that estimates prove inaccurate during actual operations and to the extent that the goods and services necessary to service the condominium change in cost in the future, the budget and the expenses of the Association also will require revision. **The initial budget for the Association has been included as Appendix A to this Disclosure Statement. Developer makes no representation or warranty that the budget attached as Appendix A accurately reflects the assessments that will be charged by the Association.**

(2) Assessments. Except as set forth below with respect to the Developer, each co-owner of a unit included in the condominium must pay for the expenses of general administration of the Association in proportion to the percentage of value assigned to the unit(s) the co-owner owns. The Board of Directors may also levy special assessments in accordance with the provisions of Article II, Section 3(b) of the Bylaw. **As set forth in Article II, Section 9 of the Bylaws, the Developer does not pay Association assessments for the units it owns until they are occupied but does reimburse the Association for certain expenses it may incur for such units.**

(3) Foreclosure of Lien. The Association has a lien on each unit to secure payment of Association assessments. The Bylaws provide that the Association may foreclose its lien in the same fashion that mortgages may be foreclosed by action or by advertisement under Michigan law.

(4) Possible Additional Liability. It is possible for co-owners to become obligated to pay a percentage share of assessment delinquencies incurred by other co-owners. This can happen if a delinquent co-owner defaults on a first mortgage and if the mortgagee forecloses. The delinquent assessments then became a common expense which is reallocated to all the co-owners, including the first mortgagee, in accordance with the percentages of value in the Master Deed. The Michigan Condominium Act (Section 58) provides:

If the mortgagee of a first mortgage of record or other purchaser of a condominium unit obtains title to the condominium unit as a result of foreclosure of the first

mortgage, such person, its successors and assigns, is not liable for the assessments by the [Association] chargeable to the unit which became due prior to the acquisition of title to the unit by such person. The unpaid assessments are deemed to be common expenses collectible from all of the condominium unit owners including such persons, its successors and assigns.

D. Insurance.

(1) Title Insurance. The Purchase Agreement provides that the Developer shall furnish each purchaser a commitment for an Owner's title insurance policy at or prior to closing, and that the policy itself shall be ordered at closing. The cost of the owner's commitment and policy will be paid by the Developer.

(2) Other Insurance. The condominium documents require that the Association carry fire and extended coverage, vandalism and malicious mischief and liability insurance and workers' compensation insurance, if applicable, pertinent to the ownership, use and maintenance of the common elements of the condominium. The insurance policies have deductible clauses and, to the extent thereof, losses will be borne by the Association. The Board of Directors is responsible for obtaining insurance coverage for the Association. Each co-owner's pro rata share of the annual Association insurance premiums is included in the monthly assessment. The Association insurance policies are available for inspection during normal working hours. A copy of the Certificate of Insurance with respect to the condominium will be furnished to each co-owner upon request. **The insurance coverage carried by the Association will not cover an owner's improvements (dwelling and other structures) and personal possessions, and each owner must procure and maintain what amounts to homeowner's insurance. In addition, each owner must procure aircraft liability insurance in such amounts as the Board of Directors deems appropriate.**

The Association should periodically review all insurance coverage to be assured of its continued adequacy and each co-owner should do the same with respect to the co-owner's personal insurance.

E. Restrictions on Ownership, Occupancy and Use.

Articles VI and VI-A of the Bylaws contain comprehensive restrictions on the use and kinds of buildings for the condominium units and the common elements. It is impossible to paraphrase these restrictions without risking the omission of some portion that may be of significance to a purchaser. Consequently, each purchaser should examine the restrictions with care to be sure that they do not infringe upon an important intended use. The following is a list of certain of the most significant restrictions:

(1) Units are to be used only for single family residential purposes - no commercial uses are permitted and there are restrictions on home occupations, day care, and

foster care centers.

(2) Building plans must be approved in advance by an Architectural Control Committee controlled by the Developer at all times until all units have been developed.

(3) Reasonable regulations may be adopted by the Board of Directors of the Association concerning the use of common elements, without vote of the co-owners.

(4) The local health department's requirements with respect to water wells, septic systems, and surface drainage must be complied with; also zoning setbacks must be complied with and no variances are permitted.

(5) If the condominium is adjacent to farm land, then generally the rights of adjacent farmers under the Michigan Right to Farm Act are recognized.

7. Rights and Obligations Between Developer and Co-owners.

A. Before Closing.

The respective obligations of the Developer and the purchaser of a unit in the condominium prior to closing are set forth in the Purchase Agreement. Those documents contain, among other provisions, the provisions relating to the disposition of earnest money deposits advanced by the purchaser prior to closing and the anticipated closing adjustments, and should be closely examined by all purchasers. The Purchase Agreement provides for the release of the deposit to any purchaser who withdraws from a Purchase Agreement in accordance with the Purchase Agreement. Such a withdrawal is permitted by each Purchase Agreement if it takes place within nine business days after the purchaser has received all of the condominium documents or if the condominium documents are changed in a way that materially reduces the purchaser's rights. The Purchase Agreement also provides that a deposit will be released to the Developer if the purchaser defaults in any obligation under the Purchase Agreement after the Purchase Agreement has become binding upon the purchaser. The Purchase Agreement also provides that deposits will be released to the Developer when the closing of the sale takes place.

B. At Closing.

Each purchaser will receive a warranty deed or land contract to evidence title or a vendee's interest to the purchaser's unit, subject to the condominium documents and easements and restrictions of record.

C. After Closing.

Subsequent to the purchase of the unit, the legal relationship between the Developer and the co-owner is governed by the Master Deed, except to the extent that any provisions of the Purchase Agreement are intended to survive the closing.

D. Warranty.

Express warranties are not provided unless specifically stated in the Purchase Agreement. A copy of the Developer's limited warranty is contained within, and thus provided to each purchaser, when the Purchase Agreement is signed.

DEVELOPER'S LIMITED WARRANTY IS THE ONLY WARRANTY APPLICABLE. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING UNDER STATE LAW OR THE MAGNUSSON-MOSS WARRANTY ACT, INCLUDING BUT NOT LIMITED TO ALL IMPLIED WARRANTIES OF FITNESS, MERCHANTABILITY OR HABITABILITY, ARE DISCLAIMED AND EXCLUDED.

The Purchase Agreement strictly limits Developer's liability to the obligations provided in Developer's limited warranty.

8. Purpose of Disclosure Statement.

This Disclosure Statement paraphrases various provisions of the Purchase Agreement, Master Deed, and other documents required by law. It is not a complete statement of all the provisions of those documents which may be important to purchasers. In an attempt to be more readable, this Disclosure Statement omits most legal phrases, definitions and detailed provisions of the other documents. Certain of the terms used herein are defined in the Michigan Condominium Act, as amended. This Disclosure Statement is not a substitute for the legal documents which it draws information from, and the rights of purchasers and other parties will be controlled by the other legal documents and not by this Disclosure Statement.

The Michigan Department of Commerce publishes The Condominium Buyers Handbook which the Developer has delivered to you. The Developer assumes no obligation, liability, or responsibility as to the statements contained therein or omitted from the Condominium Buyer's Handbook.

APPENDIX A TO
DISCLOSURE STATEMENT

ESTIMATED ANNUAL BUDGET AND ASSESSMENTS
(BASED ON TEN UNITS)

1. Bank Service Charges:	\$
2. General Maintenance and Repairs:	\$
3. Insurance:	\$
4. Accounting and Bookkeeping	\$
5. Private Driveway/Taxiway Maintenance	\$
A. Snow melting	\$
B. Asphalt sealing	\$
C. Reserve for Re-paving	\$
6. Management	\$
7. Reserve	\$
TOTAL ANNUAL EXPENSES:	\$
Estimated yearly assessments:	Per unit, \$